

# **CARD GAMES REVENUE**

STATE OF NEVADA  
GAMING CONTROL BOARD  
GAMING AUDIT PROCEDURES MANUAL

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**CARD GAMES TERMINOLOGY**

The following terminology is applicable to card games revenue:

<b>Ante</b>	A player's initial wager or predetermined contribution to the pot prior to the dealing of the hand.
<b>Bad beat pots or pools</b>	Promotional progressive pots and pools which are contributed to by poker patrons and distributed back to poker patrons based upon the occurrence of a predetermined event, such as a losing hand containing a four-of-a-kind or some other predetermined combination of cards.
<b>Buy-in</b>	The purchase of chips so that a patron may participate in a game.
<b>Call</b>	A wager made in an amount equal to the immediately preceding wager.
<b>Card game shill</b>	An employee engaged and financed by the licensee as a player for the purpose of starting and/or maintaining a sufficient number of players in a card game. The shill does not keep his winnings.
<b>Card room bank</b>	An imprest fund which is a part of and accountable to the licensee's casino cage or bankroll, but is maintained in the card room exclusively for the purposes of the issuance and receipt of shill funds, the maintenance of card table banks used in card games, and the purchase and redemption of chips by players.
<b>Card table bank</b>	An imprest inventory of cash and chips physically located in the table tray on the card table and controlled by the licensee through accountability established with the card room bank. Card table banks are only to be used for the purposes of making change or handling player buy-ins.
<b>Check</b>	To waive the right to initiate the wagering, but to retain the right to call or raise after all the other players have either wagered or folded.
<b>Hand</b>	One game in a series, one deal in a card game, or the cards held by a player.
<b>Pot</b>	The total amount anted and wagered by players during a hand.
<b>Proposition player</b>	A person paid a fixed sum by the licensee for the specific purpose of playing in a card game who uses his own funds and who retains his winnings and absorbs his losses.
<b>Raise</b>	A wager made in an amount greater than the immediately preceding wager.

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<b>Rake-off</b>	A percentage of the pot which may be taken by the licensee for maintaining or dealing the game. Rake-offs cannot exceed 10% of all sums wagered in the hand ( <b>Regulation 23.050</b> ).
<b>Stake</b>	The funds with which a player enters a game.
<b>Stakes player</b>	A person financed by the licensee to participate in a game under an arrangement or understanding whereby such person is entitled to retain all or any portion of his winnings. <b>Regulation 23.070(1)</b> prohibits the use of stakes players by a licensee.
<b>Table tray</b>	A receptacle used to hold the card table bank.
<b>Time buy-in</b>	A charge to a player, determined on a time basis, by the licensee for the right to participate in a game.

**DEPARTMENTAL ORGANIZATION**

A card games shift is generally staffed by the following people:

1. The **casino manager** (sometimes known as the property shift manager or as "#1") has ultimate authority over the entire casino during his shift.
2. The **card room supervisor/shift supervisor** has authority over the poker games in the card room for one shift. This person authorizes transfers between the table banks and the main card room bank or casino cage. He also gives written approval for the issuance of shill funds.
3. The **dealer** is responsible for his table bank and to insure any compensation received (rake-off, time buy-in, etc.) from patrons for the right to play is deposited directly into the drop box.
4. **Shills** and **proposition players** which are defined under the card games definition.

**GENERAL**

**Regulation 6.110(4)** states that card games gross revenue equals all money received by the licensee as compensation for conducting the game in which the licensee is not a party to a wager. Card games include, but are not limited to, poker, bridge, whist, solo and panguingui.

Card games revenue is defined as licensee's compensation for running the game (which is usually in the form of a rake or buy-in). There are no associated payouts in a card game because the licensee is not party to a wager. Also, free play or promotional items should not affect card games revenue. Therefore, the win/drop statistics should be 100% for any card game. Each table's drop box is required to be permanently marked with the game, shift, and a number

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corresponding to a permanent number on the table. Card games revenue flows from the drop boxes, to the count room, to the accounting department and ultimately to the tax reports.

It is important for the auditor to understand how card game revenues flow through a licensee's operations (i.e., so that the audit can be properly planned and performed). The flow of card games revenue starts at the gaming table. For example, patrons buy in at the table (they exchange cash for chips). When a cash buy-in occurs, the cash is displayed in public view on the table, the dealer will give the patron chips from the table tray and then the cash is placed into the table tray. At the conclusion of a hand of play, the dealer removes the rake from the pot and deposits it into the drop box.

During a shift, cash may be sent from a table tray to the card room bank in exchange for an equal amount of chips or, if a waiver of **Regulation 23.045** has been received to utilize the casino cage in lieu of a card room bank, cash may be exchanged for chips with the casino cage. At least once per shift, the main card room bank is counted and reconciled, and the table trays (i.e., the inventory of cash and chips) are counted by the dealer and a supervisor. The collection of the drop boxes and the count of the contents are the same as is applicable to the pit drop boxes. The drop boxes are removed from the tables and transported to the soft count room. The soft count team counts the funds in the drop boxes. Before the count team leaves the count room, all drop figures are recorded on a count sheet. The cage verifies the drop amount and takes it into its accountability. The soft count team delivers all count documentation to the accounting department where accounting personnel audit the documentation. Card games revenue is then posted to the accounting records (e.g., revenue journal or general ledger). At the end of the month the licensee uses these accounting records to prepare the tax report.

The above example is meant to provide the auditor with a general overview of how card game revenues flow through a licensee's operations. Therefore, it is important that the auditor read the internal control system. This system describes in significant detail how revenue flows through a licensee's operations.

**FREE PLAY AND PROMOTIONAL ITEMS**

The authoritative bases for the tax treatment of free play and promotional items can be found in **NRS 463.0161**, **NRS 463.3715** and **Regulation 6.110**. The following chart summarizes the accounting treatment of some typical promotional items:

<u>Item</u>	<u>Proper Accounting Treatment</u>
Buy-In Coupons (\$22 for \$20)	No effect on revenue
Tournaments played with negotiable chips and rake is taken	Rake is taxable
Tournaments played with nonnegotiable chips/Contests/Drawings	No effect on revenue
Prizes (e.g., \$100 prize for High Hand of the Week)	No effect on revenue

**PROMOTIONAL POTS AND POOLS**

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There are two types of promotional pots and pools. One type is wholly sponsored by the licensee. Generally, once an amount is posted, it must remain until it is won in accordance with the posted rules. The second type is a progressive pool, is contributed to by poker patrons and generally is distributed back to poker patrons based on the occurrence of a predetermined event. However, **Regulation 5.110(5)(d)** allows the distribution of a progressive payoff schedule through a concluding contest, tournament or promotion. The “give away” must be conducted on the same game that generated the progressive. Therefore, a contest used to give away a seven-card hold’em pool must be directly related to the seven-card hold’em game. If a promotional pot or pool is noted when performing card games audit procedures, the cash or prizes awarded are not deductible pursuant to **Regulation 6.110(4) and NRS 463.0161** since the regulation does not allow for deductions from revenue for card games and the statute specifies that prizes from such tournaments/contests are not deductible.

**HOLIDAYS AND SPECIAL EVENTS**

Pursuant to **NRS 463.408**, a licensee may pay a flat fee per table, per day to increase the number of tables during holidays or special events or set up a special area for gaming. The licensee must file an application with the Board and pay the fee. A permit is then issued. The fees paid for this purpose are in lieu of the fees required under **NRS 463.380** (annual fees), **463.383** (quarterly fees based on number of games) and **463.390** (quarterly county fees). The auditor should be alert to situations where the number of tables used was higher than what was approved or the tables were not removed when the permit expired. **NRS 463.408** does not apply to tournaments and contests where tables can be installed with no fees. If it is determined that real money was used during these tournaments and gross gaming revenue was generated, then the tables are subject to the full flat fees.

**STATISTICAL ANALYSIS**

Since the win/drop statistics should be 100% for any card game, when reconciling supporting documents to the NGC tax reports this should be verified. Analytical procedures for card games should focus on trend analysis and reasonableness tests. For example, the auditor should look for trends in drop (e.g., is drop consistent throughout the audit period?).